

FDIC State Profile

WINTER 2003

Idaho

Employment in Idaho increased 0.6 percent year-over-year as of the third quarter of 2003 (see Chart 1).

- Employment grew most rapidly in the finance and professional and business services sectors, with both sectors posting increases of approximately 5 percent year-over-year as of the third quarter of 2003.
- Manufacturing employment declined 5 percent year-over-year as of the third quarter 2003, and reported the highest amount of job loss among major sectors, reflecting weakness in the semiconductor industry.
- Although Micron, Idaho's largest private employer and the world's second largest manufacturer of computer memory products, recently confirmed that demand for its products had increased,¹ new job growth is not forecasted to translate until 2004.

Construction employment is forecasted to decrease, while construction and development (C&D) loan concentrations remained at a high level among Idaho-based insured institutions.

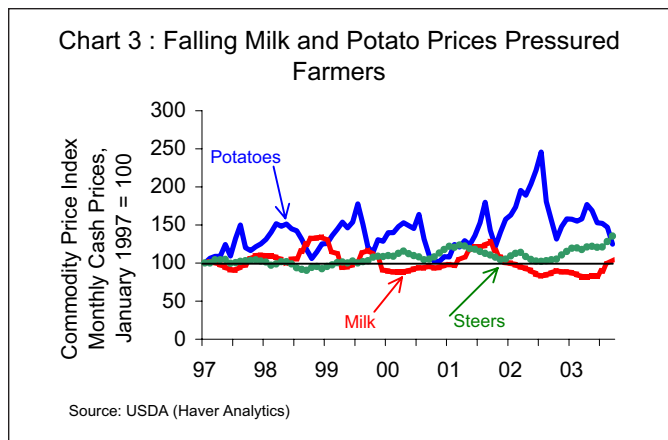
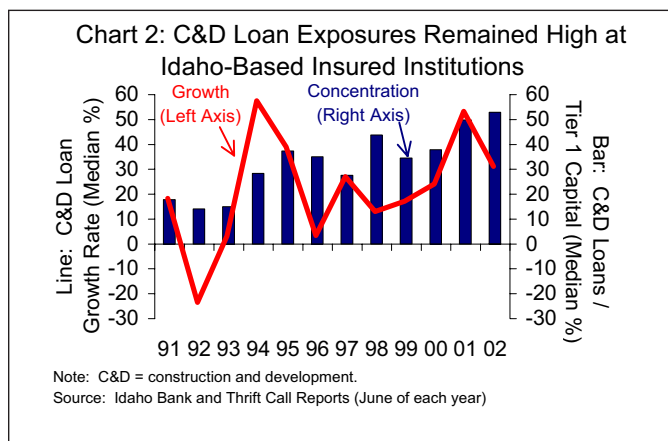
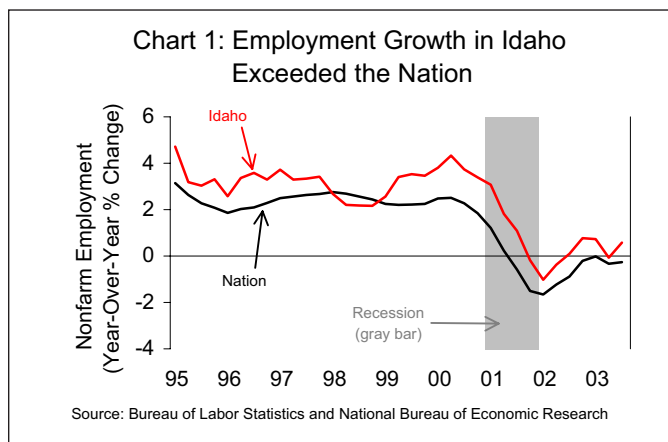
- The construction sector was a major source of employment growth in Idaho over the past decade, a result of the state's rapid population growth during the 1990s. Recent forecasts expect the construction sector to lose jobs over the next three years as Idaho housing starts decline.²
- Despite the negative outlook for Idaho's construction sector, insured institutions based in Idaho continued expanding C&D lending. The median C&D loan-to-Tier 1 capital ratio reported by insured institutions headquartered in Idaho increased significantly during the past eleven years, and increased from 52 percent to 65 percent, year-over-year as of the second quarter 2003 (see Chart 2).

Idaho farmers are challenged by falling commodity prices.

- Milk prices fell approximately 18% over the last two years, as dairy producers expanded production to meet anticipated demand, which failed to materialize (see Chart 3).
- In reaction to lower potato prices, reduced demand, and the announced April 2004 closure of a potato processing

¹ Howard, Julie. "Analysts: Future looks bright for Micron," *The Idaho Statesman*, July 24, 2003.

² Division of Financial Management, State of Idaho, *Idaho Economic Forecast*, October 2003, pages 14-20.



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plant owned by one of the state's largest private employers, farmers reduced the amount of acreage planted to the second lowest level in 14 years, in the hopes of raising prices.³

- However, credit quality has not weakened. In fact, agricultural lenders⁴ based in the state reported a median overall past-due loan ratio of 1.66 percent as of June 30, 2003, down from 2.10 percent the prior quarter.

The effects of high bankruptcy and foreclosure rates on Idaho insured institutions were modest.

- The Idaho personal bankruptcy rate rose 11 percent year-over-year as of second quarter 2003; the state filing rate was 22 percent higher than the national average (see Chart 4). Bankruptcy trends contributed to an above-average foreclosure start rate in the state. The second quarter 2003 Idaho foreclosure start rate, according to the Mortgage Bankers Association (MBA), was 0.37 percent of all mortgages, down from the second quarter 2002 level of 0.44 percent, but still exceeding the national rate of 0.32 percent.
- Despite the lower foreclosure starts reported by the MBA, the median single-family mortgage delinquency ratio among established community institutions⁵ increased year-over-year as of second quarter 2003 from 0.77 percent to 1.37 percent.
- Heightened personal bankruptcy activity had little effect on the median past-due consumer loan ratio, which decreased slightly, from 1.33 percent to 1.32 percent year-over-year as of second quarter 2003, among established community institutions based in Idaho. Similarly, the median consumer loan net charge-off ratio decreased, from 0.38 percent to 0.31 percent.

Idaho-based insured institutions reported significantly higher profits for second quarter 2003, driven by younger institutions.

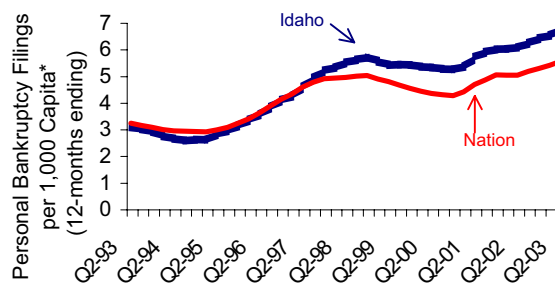
- The median return on average assets (ROA) ratio among Idaho-based insured institutions was 1.01 percent as of June 30, 2003, up from 0.69 percent

³"Potato Growers Plant Second Smallest Acreage in 14 Years," *The Idaho Statesman*, July 17, 2003.

⁴Agricultural lenders are defined as insured institutions holding agricultural lines and farm loans at least 100 percent of Tier 1 capital.

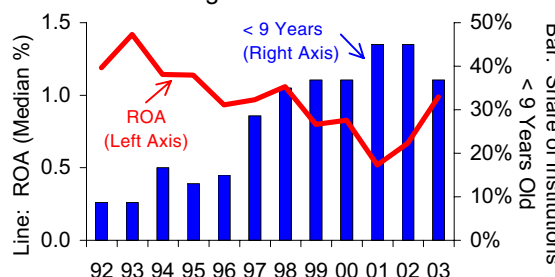
⁵Established community institutions are defined as insured institutions open longer than three years with total assets of less than \$1 billion, average loans greater than 25 percent average assets, unused credit card commitments less than total assets, consumer loans less than 300 percent of Tier 1 capital, excluding industrial loan companies and specialty institutions.

Chart 4: Idaho's Personal Bankruptcy Filing Rate Increased Faster than the Nation's



*Personal bankruptcy filing rate calculated using prior year population figure
Source: Mortgage Bankers Association and U.S. Courts (Haver Analytics)

Chart 5: Idaho's Median ROA Improved as Share of Younger Institutions Declines



Note: ROA = return on average assets.

Source: Idaho Bank and Thrift Call Reports (June of each year)

one-year earlier, but below the 1.06 percent ROA reported by insured institutions nationwide. Improvements in noninterest income, as well as a reduction in overhead expenses, combined to boost earnings performance. Idaho-based insured institutions continued to report a median overhead-to-average asset ratio much higher than the nation (4.03 percent versus 2.90 percent).

- The state's large proportion of younger institutions (in operation less than 9 years) helped boost median performance (see Chart 5) as they are maturing into their business plans. Younger institutions, which comprise 37 percent of all Idaho-based insured institutions, reported a median ROA of 0.91 percent, compared to 0.27 percent one year earlier.

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Idaho at a Glance

General Information	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Institutions (#)	19	20	20	19	19
Total Assets (in thousands)	4,470,680	3,880,215	3,392,527	2,820,535	2,413,672
New Institutions (# < 3 years)	2	2	2	1	5
New Institutions (# < 9 years)	7	9	9	7	7
Capital	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Tier 1 Leverage (median)	8.41	8.53	8.71	9.09	9.76
Asset Quality	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Past-Due and Nonaccrual (median %)	1.27%	1.47%	1.52%	1.31%	1.76%
Past-Due and Nonaccrual ≥ 5%	1	0	0	0	0
ALLL/Total Loans (median %)	1.41%	1.27%	1.28%	1.27%	1.31%
ALLL/Noncurrent Loans (median multiple)	3.63	2.19	2.56	2.94	2.93
Net Loan Losses/Loans (aggregate)	0.13%	0.22%	0.30%	0.19%	0.18%
Earnings	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Unprofitable Institutions (#)		2	3	2	2
Percent Unprofitable	0.00%	10.00%	15.00%	10.53%	10.53%
Return on Assets (median %)	1.01	0.69	0.54	0.85	0.82
25th Percentile	0.75	0.52	0.11	0.41	0.38
Net Interest Margin (median %)	4.64%	4.68%	4.62%	5.20%	5.07%
Yield on Earning Assets (median)	6.29%	6.97%	8.51%	8.96%	8.34%
Cost of Funding Earning Assets (median)	1.64%	2.34%	3.86%	3.76%	3.39%
Provisions to Avg. Assets (median)	0.31%	0.35%	0.32%	0.34%	0.24%
Noninterest Income to Avg. Assets (median)	1.47%	1.12%	0.98%	0.91%	1.09%
Overhead to Avg. Assets (median)	4.03%	4.26%	4.11%	4.20%	4.09%
Liquidity/Sensitivity	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Loans to Deposits (median %)	86.34%	83.51%	83.58%	87.07%	82.56%
Loans to Assets (median %)	74.23%	72.28%	70.15%	71.40%	68.46%
Brokered Deposits (# of Institutions)	5	4	4	4	1
Bro. Deps./Assets (median for above inst.)	3.41%	5.88%	7.63%	4.04%	8.05%
Noncore Funding to Assets (median)	19.78%	18.48%	20.82%	21.91%	17.64%
Core Funding to Assets (median)	68.20%	67.89%	66.81%	67.07%	71.41%
Bank Class	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
State Nonmember	14	14	14	14	14
National	1	1	1	1	1
State Member	1	2	2	2	2
S&L	1	1	1	1	1
Savings Bank	2	2	2	1	1
Mutually Insured	0	0	0	0	0
MSA Distribution		# of Inst.	Assets	% Inst.	% Assets
No MSA		14	3,359,890	73.68%	75.15%
Boise City ID		4	1,021,547	21.05%	22.85%
Pocatello ID		1	89,243	5.26%	2.00%